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FISCAL IMPACT STATEMENT

LS 6351

BILL NUMBER: SB 100

NOTE PREPARED: Mar 24, 2006

BILL AMENDED: Feb 16, 2006

SUBJECT: Charity Gaming.

FIRST AUTHOR: Sen. Jackman

FIRST SPONSOR: Rep. Whetstone

BILL STATUS: Enrolled

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill transfers the powers and duties of administering charity gaming from the Department of State Revenue to the Gaming Commission. It allows a candidate's committee to conduct a raffle event. It also removes a provision restricting a qualified organization's charity gaming events to the county of its home office. The bill increases the maximum initial license fee from \$25 to \$50 and increases license renewal fees. It authorizes the Commission to issue annual raffle licenses, and provides that an annual raffle license authorizes not more than five raffle events in a calendar year. The bill grants the Gaming Commission the authority to approve additional gambling events. It defines the term "member" for purposes of the charity gaming laws. The bill establishes a procedure under which a qualified organization that conducts only one charity gaming event in a calendar year may submit an application for a license for the event without including the Social Security numbers of the workers for the proposed event. It provides that a qualified organization using the procedure may not require an individual who wishes to participate in the allowable event as a worker to submit the individual's Social Security number to the qualified organization. It also allows the Gaming Commission to approve: (1) a qualified organizations's utilization of a nonmember as a worker if the nonmember is a member of another qualified organization; and (2) the sharing of receipts with the qualified organization of which the worker is a member. The bill also makes an appropriation.

Effective Date: Upon Passage; July 1, 2006.

Explanation of State Expenditures: *Indiana Gaming Commission (IGC):* The bill transfers administration and enforcement of charity gaming, and current funding sources to pay administrative cost, from the Department of State Revenue (DOR) to the Indiana Gaming Commission (IGC) as of July 1, 2006. As under the current administrative structure, the cost of IGC administration and enforcement of charity gaming would,

under the bill, be paid by revenue from Charity Gaming License fees and the Charity Gaming Excise Tax. Revenue from both of these sources would continue to be deposited in the Charity Gaming Enforcement Fund. Amounts in the Fund in excess of what is needed to pay administrative costs would continue to be distributed to the Build Indiana Fund (BIF). In FY 2005, revenue to the Charity Gaming Enforcement Fund totaled about \$5.2 M. The FY 2005 transfer from the Charity Gaming Enforcement Fund to the BIF totaled \$4 M.

Other administrative changes in the bill include the following:

- (1) The bill authorizes the IGC to adopt emergency rules for purposes of charity gaming administration and enforcement.
- (2) The bill authorizes the IGC to employ investigators and other staff necessary to administer and enforce charity gaming. The bill also authorizes the IGC to utilize personnel employed for purposes of riverboat gaming administration and enforcement for charity gaming administration and enforcement.
- (3) The bill authorizes the IGC to approve new charity gaming events in addition to those specified by statute as allowable events. The bill also provides that the IGC may approve other games played in a similar fashion as pull tabs. Allowable events specified under current statute unchanged by the bill are bingo; charity game nights; raffles; door prize drawings; festivals; and sale of pull tabs, punchboards, and tip boards. However, the additional events authorized by the IGC may not include bookmaking; slot machines; one-ball game machines; pinball machines that award anything other than an immediate and unrecorded right of replay; a policy or numbers game; or a banking or percentage game played with cards or counters.
- (4) The bill eliminates a current law provision prohibiting charity gaming administrative rules from requiring a qualified organization to use a specific percentage of its gross charity gaming receipts for charitable purposes.
- (5) The bill allows a nonmember to work at an organization's charity gaming events if the individual is a member of another organization that is licensed to conduct charity gaming events, and the individual's participation is approved by the IGC. The bill also allows the organization conducting the charity gaming event to share the proceeds of the event with the nonmember's organization. The bill specifies that the receiving organization is not to be considered to be conducting a charity gaming event.
- (6) The bill allows parents of students in a nonpublic school, members of a nonpublic school's parent organization, or members of a nonpublic school's alumni association to operate or work at charity gaming events conducted by the nonpublic school. Currently, organization members and members of an organization's auxiliary are allowed to operate and work at charity gaming events conducted by the organization.
- (7) The bill allows candidates' committees to obtain a license to conduct a single raffle event.
- (8) The bill establishes a new annual raffle license allowing a licensee to conduct up to five raffle events during a year.

Department of State Revenue (DOR): The DOR currently has 13 full-time employees working on charity gaming compliance (based on the March 13, 2006, state staffing table). The annual salary cost of these employees totals \$443,664. Under the bill, the DOR would no longer receive revenue from the Charity Gaming License fees or the Charity Gaming Excise Tax. With the transfer of administrative responsibility charity gaming personnel would either have to be released or reassigned to vacant positions. According to the March

20, 2006 vacant position report, the DOR currently has 158 vacant positions.

Explanation of State Revenues: *Summary:* The changes to the charity gaming statutes that could potentially have a revenue impact are as follows.

(1) The bill increases initial and renewal fees for Charity Gaming Licenses beginning in FY 2007. It is estimated that the new fee schedule (see below under *Background*) could potentially generate an additional \$850,000 in fee revenue for the Charity Gaming Enforcement Fund. This estimate is based on charity gaming fees paid by licensees in FY 2004.

(2) The bill establishes a new annual raffle license allowing a licensed charity gaming organization to conduct up to five raffles during a year. The current raffle license authorizes a licensee to conduct only one raffle event. The fiscal impact of the new annual raffle license is indeterminable, with any impact likely to be minimal as raffle license fees annually total less than \$100,000. Potentially, some organizations that conduct more than one raffle per year could reduce the annual cost of fees relating to raffle licenses by obtaining the new five-raffle license. However, this would depend on the number of raffles the organization conducts and the revenue generated by each raffle. Some organizations, on the other hand, may be willing to incur somewhat higher cost of license fees for the convenience of obtaining one license to conduct five raffles instead of having to obtain five separate licenses.

(3) The bill allows a candidate's committee to qualify for a license to conduct a single raffle event. By increasing the pool of qualified organizations that may conduct raffles, the bill could result in a minimal increase in revenue from Charity Gaming License fees. The actual impact on license fee revenue would depend upon the response by these entities, and could be reduced to the extent that raffles conducted by candidates' committees substitute for existing charity gaming operations of civic, educational, other political, religious, senior citizens, or veterans organizations.

Background: Current law permits a bona fide civic, educational, political, religious, senior citizens, or veterans organization to hold a charity gaming license for purposes of conducting charity gaming events. The Department of State Revenue (DOR) currently administers and enforces charity gaming. Allowable charity gaming events consist of bingo, charity game nights, raffles, door prize events, festivals, and sale of pull tabs, punchboards, and tip boards. Gross receipts from charity gaming totaled about \$526.4 M in FY 2005, with net proceeds totaling about \$72.1 M. In FY 2004, 2,548 charity gaming licenses were issued to qualified organizations by the DOR. In addition to organization licenses, businesses that manufacture or distribute charity gaming devices to qualified organizations within the state must obtain a manufacturer's or distributor's license. Current statute requires the DOR to set the fee for these licenses (the same provision applies to the IGC in the bill). Currently, the manufacturer's license fee is \$3,000 annually, and the distributor's license fee is \$2,000 annually. In FY 2005, the DOR issued 16 manufacturer's licenses and 55 distributor's licenses. About \$3.9 M in revenue from license fees was distributed to the Charity Gaming Enforcement Fund in FY 2005. Penalties generated an additional \$115,375 in FY 2005.

The license fee for qualified organizations conducting charity gaming is based on the total gross revenue earned: (1) during the prior year from charity gaming events conducted by a licensed organization; or (2) from the prior charity gaming event conducted by the organization, if the organization obtains a special one-time event license. The initial license fee is \$25. The bill increases the initial license fee by 100% to \$50. The bill also increases renewal fees, with the renewal fees increasing by an average of about 29%. The renewal fee schedule, including the current and proposed new fees, is presented in the table below.

In addition to the license fees, the Charity Gaming Excise Tax on pull tabs, punchboards, and tip boards is based on the wholesale price of these devices when sold to organizations by distributors and manufacturers. About \$1.2 M in revenue from the Charity Gaming Excise Tax was distributed to the Charity Gaming Enforcement Fund in FY 2005. Money in the Charity Gaming Enforcement Fund is used by the DOR to defray the cost of administering and enforcing charity gaming. Revenue remaining in the Fund after payment of administrative costs is distributed quarterly to the Build Indiana Fund (BIF). In FY 2005, revenue to the Charity Gaming Enforcement Fund totaled about \$5.2 M. The FY 2005 transfer from the Charity Gaming Enforcement Fund to the BIF totaled \$4 M.

Gross revenues of at least:	Gross revenues less than:	Current Fee	Proposed Fee
\$0	\$15,000	\$25	\$50
15,000	25,000	75	100
25,000	50,000	200	300
50,000	75,000	350	400
75,000	100,000	600	700
100,000	150,000	900	1,000
150,000	200,000	1,200	1,500
200,000	250,000	1,500	1,800
250,000	300,000	1,800	2,500
300,000	400,000	2,500	3,250
400,000	500,000	3,250	5,000
500,000	750,000	5,000	6,750
750,000	1,000,000	6,750	9,000
1,000,000	1,250,000	8,500	11,000
1,250,000	1,500,000	10,000	13,000
1,500,000	1,750,000	12,000	15,000
1,750,000	2,000,000	14,000	17,000
2,000,000	2,250,000	16,250	19,000
2,250,000	2,500,000	18,500	21,000
2,500,000	3,000,000	22,500	24,000
3,000,000		25,000	26,000

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue. Indiana Gaming Commission.

Local Agencies Affected:

Information Sources: Department of State Revenue, *Annual Charity Gaming Report, FY 2004 & FY 2005*. State Auditor's database.

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